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December 2006

The EUB takes a look back at 2006

Calendar 2006 was another busy year for the EUB as it kept pace with Alberta's bustling energy industry.

Some of the year's noteworthy events and initiatives include hearings for three major oil sands projects between July and November and the launch of pilot projects for the Land Challenge, a new approach to early engagement of stakeholders in areas of heightened energy development.

The EUB also issued several important publications in 2006, including bulletins addressing well-spacing regulations and commingling, and the regular series of yearly reports on Alberta's hydrocarbon reserves, flaring and venting, compliance and enforcement, and sulphur emissions.

Changes to commingled production

The EUB improved regulations on commingled production in Alberta with the release of two bulletins: *Bulletin 2006-28: Changes to the Management of Commingling of Produc-*

tion from Two or More Pools in the Wellbore and Bulletin 2006-32: Implementation of Revised Processes for the Management of Commingling of Production from Two or More Pools in the Wellbore.

Under the new regulations, industry is broadly restricted from the commingling of pools where there is any water production and the well contains perforations above the base of groundwater protection. The new measures also increase regulatory surveillance of all wells completed above the base of groundwater protection and require enhanced data collection and reporting for new resources.

Well-spacing regulations modified

The EUB issued *Bulletin 2006-05: Changes to Reservoir-Related Well-Spacing Regulations, Application Requirements, and Application Review Process*, which outlines changes to *Bulletin 2005-08: Consultation Regarding Proposed Changes to Reservoir-Related Well Spacing Regulations, Application Requirements, and Application Review Process*.

(continued on page 3)

2nd Annual Oil & Gas Law Summit
January 22-23, 2007
Hyatt Regency Hotel
Calgary

Event topics include

CBM jurisprudence

Overcoming the uncertainties of ownership in CBM

Complying with CBM requirements

Strategies for resolving stakeholder disputes

Getting LNG to the Canadian marketplace

Update on the Mackenzie Valley Pipeline

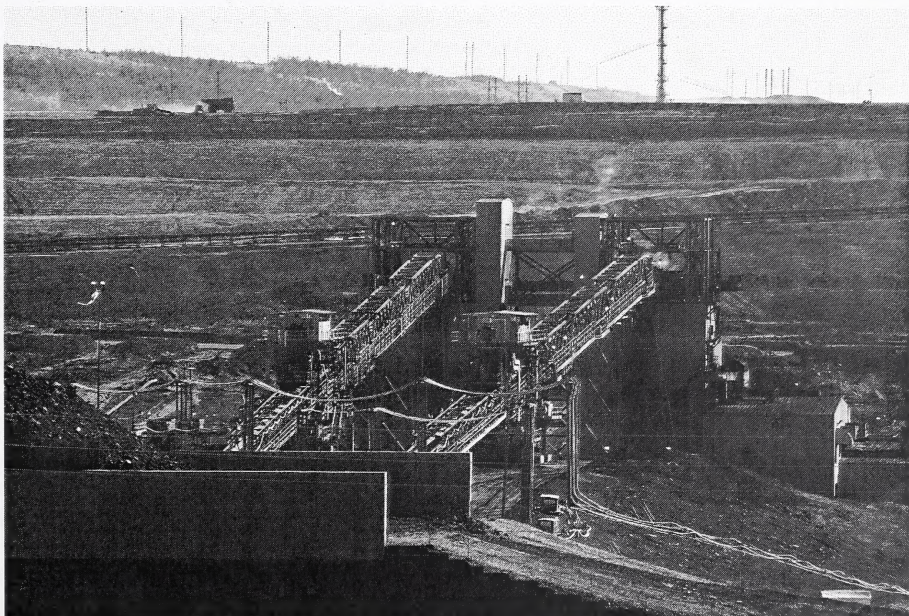
How to prepare your organization for future trends

For more information, contact Janet Grant at (877) 927-0718, extension 373, or visit <www.canadianinstitute.com>.

About the EUB

Our mission is to ensure that the discovery, development, and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible, and in the public interest. We regulate oil, natural gas, oil sands, coal, and electric energy, pipelines, and transmission line development.

On the utilities side, we regulate investor-owned and certain municipally owned natural gas, electric, and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. Regulation is done through two core functions: adjudication and regulation, information and knowledge.



Recent EUB publications

News Releases

December 8: News Release (NR 2006-53): Fire Extinguished; EUB Investigation Begins into Explosion at Oilfield Waste Disposal Facility near Grande Cache

December 7: News Release (NR 2006-52): EUB Working with Emergency Services Following Explosion at Oilfield Waste Disposal Facility near Grande Cache

December 6: News Release (NR 2006-51): EUB confirms selection of west corridor for 500 kV transmission line

November 27: News Release (NR 2006-50): EUB releases findings and recommendations from Shiningbank blowout investigation

November 27: News Release (NR 2006-49): EUB sets hearing date for transmission line application

Bulletins

November 28: Bulletin 2006-42: Gas Removal Data System Compliance Process

Publications

December 8: Statistical Series 41: Year In Review

December 5: Directive 045: Digital Data Submission of Drilling Waste Disposal Notification

November 28: Bulletin 2006-42: Gas Removal Data System Compliance Process

Decisions

December 8: Decision 2006-118: Gas Alberta Inc. Application for Review and Variance of ATCO Pipelines 2004 GRA Phase II and Compliance Filing Decision 2004-079 and Decision 2004-096

December 6: Decision 2006-114: Request for Review and Variance of Decision 2005-031: Alberta Electric System Operator, Needs Identification Document Application, Edmonton-Calgary 500 kV Electric Transmission Facilities

December 5: Decision 2006-126: Highpine Oil and Gas Limited, Applications for Two Well Licences, Pembina Field

December 5: Decision 2006-124: EPCOR Distribution Inc., EPCOR Transmission Inc., EPCOR Energy Inc. Inter-Affiliate Code of Conduct Exemptions

December 5: Decision 2006-123: Richmond Petroleum Ltd., Application for Two Pipeline Licences, Okotoks Field

November 23: Decision 2006-117 + Errata: AltaGas Utilities Inc. 2005/2006 General Rate Application Phase I Second Compliance Filing

November 28: Decision 2006-122: Shell Canada Limited Applications for Licences for a Well, a Single-Well Battery, and Pipelines, Waterton Field

November 28: Decision 2006-121: NOVA Gas Transmission Ltd. Application for Review and Variance of Decision 2004-069 - 2004 General Rate Application - Phase I

November 28: Decision 2006-119: Canadian Natural Resources Limited Application for Two Well Licences and a Pipeline Licence, Athabasca Field

November 28: Decision 2006-115: Nuvista Energy Ltd. Applications for Licences for Three Wells and a Multiwell Battery, Auburndale Field

November 23: Decision 2006-120: AltaLink Management Ltd. 500 kV Transmission Line from Genesee Area to Langdon Substation in East Calgary - EPCOR Transmission Inc. Alterations to the Genesee Substation to Accommodate the Proposed Transmission Line

EUB documentary revisits regulatory roots

When you focus on the daily grind, it is easy to forget your roots.

With that in mind, the EUB decided to capture its own remarkable history—and that of the Alberta oilpatch—on film with the recently released video entitled “*A Salute to the People of the EUB.*”

EUB chairman Neil McCrank says the EUB is unique in its accomplishments, having “a very colourful history.” In the video he notes “that is why we at the Board felt it was opportune to pause and reflect on where the EUB came from for the benefit of our staff and for the citizens of Alberta.”

The documentary, an Alberta 2005 centennial project written and produced by veteran Calgary TV journalist Murray Dale—not only provides a concise retelling of how energy regulation evolved in Alberta, but adds a historical overview of the province’s resource industry.

To tell the story, Dale went directly to the source. He spoke with two living legends, former chairmen Dr. George Govier and Gerry DeSorcy. Others featured in the 50-minute documentary are Preston Manning (whose father, Ernest Manning, was premier when the Alberta regulatory body was born), former Alberta Premier Peter Lougheed, renowned Edmonton geologist Charles Stelck, and noted oilpatch historian Aubrey Kerr. Former Alberta Premier Ralph Klein provides context in the introduction.

The production tells how the province created the EUB’s predecessor, the Petroleum and Natural Gas Conservation Board, in 1938 in an attempt to put the brakes on wasteful production methods that saw huge volumes of natural gas flared off during the Turner Valley oil boom.

Founding board chairman Bill Knode, a veteran of the Texas Railroad Commis-

sion, was brought in to talk tough with the rough-and-tumble Turner Valley producers who sent up flaming pillars of gas that turned night skies to day. Estimates put the loss at 7 million cubic metres (250 million cubic feet) a day of natural gas, which also dramatically lowered pressure in the oil-bearing formations, thereby leaving most of the resource permanently locked below ground.

Also prominent in the film are noteworthy moments in Alberta-oilpatch lore, including the Leduc discovery in 1947, the birth of oil sands in the 1960s, and both Lodgepole sour gas blowouts in 1977 and 1982.

The video is being distributed to Alberta schools and copies are provided free of charge to anyone who requests one. Copies may be ordered at EUB.Inquiries@eub.ca.

The changes were proposed in four main areas: notification, higher baseline well densities in certain areas of the province, the introduction of three risk-based application processing models, and automation of the application process.

EUB rolls out Public Safety Group

The EUB issued *Bulletin 2006-35*, announcing the formation of the Public Safety Group and renaming the EUB's Field Surveillance Branch to be the Public Safety and Field Surveillance Branch.

The Public Safety Group is made up of the Emergency Planning and Assessment section, the Community and Aboriginal Relations section, and the Public Safety Advisory Team.

Compliance assurance goes into effect

EUB *Directive 019: Compliance Assurance – Enforcement* came into effect at the start of 2006.

The directive is a series of new processes designed to protect public safety, minimize environmental impacts, preserve equity, and ensure conservation of resources. It sets out the rules for enforcement when a licensee fails to comply with EUB requirements.

EUB launches Land Challenge pilots

In November, the EUB launched the Land Challenge initiative, which is an early engagement approach that targets select regions of heightened development in the province and is designed to confront the unique concerns of local residents that may not be met by the current regulatory framework.

The EUB is piloting the Land Challenge in two townships: one is east of Innisfail and the other is east of Carstairs. The two pilot projects focus on the siting of facilities for the development of unconventional gas (coalbed methane).

Results from the initiative will be evaluated once the two pilots wrap up in January.

Major oil sands hearings

The EUB held three hearings in five months for megaprojects proposed for the oil sands region around Fort McMurray: Suncor Voyager Upgrader and North Steepbank Mine (July 5 - 29), the Albion Sands Muskeg River Mine expansion (September 5 - 18), and the Imperial Oil Resources Kearl Mine project (November 6 to December 1).

On November 14, the EUB issued *Decision 2006-112*, granting conditional approval to Suncor on its applications. It placed several

conditions on Suncor and also made recommendations to the Government of Alberta with respect to infrastructure needs in Fort McMurray and the surrounding area, as well as to environmental issues.

Bitumen still in its infancy

The EUB's *Alberta's Reserves 2005 and Supply/Demand Outlook 2006-2015* reported that bitumen development in northern Alberta is still in its infancy, with only 3 per cent of reserves being produced over the last four decades. The report also noted that oil sands production will exceed one billion barrels per year by 2015.

Highlights from the EUB 2005 Reserves report include

- Remaining established petroleum reserves stood at 27.6 billion cubic metres (174 billion barrels) of bitumen and 255 million cubic metres (1.6 billion barrels) of conventional oil.
- Bitumen production of 61.7 million cubic metres (388 million barrels) surpassed conventional oil production by over 85 per cent in 2005.
- 60 per cent of 2005 conventional oil production was replaced through exploration, new drilling, and enhanced oil recovery programs.
- Alberta companies produced 134 billion cubic metres (4.9 trillion cubic feet) of natural gas in 2005; remaining established marketable gas reserves stood at 1.1 trillion cubic metres (41 trillion cubic feet).

Compliance rate rises

The EUB's *Provincial Surveillance and Compliance Summary for 2005* demonstrated that the EUB is working to ensure that Alberta energy companies comply with the EUB's rules and regulations.

Highlights from this report:

- Industry's compliance rate with major EUB regulations was at 98.2 per cent in 2005 (an all-time high), up from 98 per cent in 2004 and 97 per cent in 2003.
- The EUB carried out 16 782 inspections of Alberta energy facilities in 2005.
- The pipeline failure rate in Alberta has dropped by 30 per cent since 2000.
- Annual sulphur emissions from Alberta gas plants have been reduced by 26 per cent since 2000 (57 000 tonnes in 2005 and 78 000 tonnes in 2000).
- The EUB suspended 91 energy facilities and operations in 2005.

Sulphur emissions decrease

According to the EUB *ST-101 2006 Sulphur Recovery and Sulphur Emissions at Alberta Sour Gas Plants*, sulphur emissions decreased from 2000 through 2005 for both grandfathered acid gas flaring plants (down 61 per cent) and grandfathered sulphur recovery plants (down 30 per cent).

Overall, emissions from grandfathered plants have fallen by 37 per cent from 2000 through 2005, which represents a decrease of about 70 tonnes of sulphur emissions (140 tonnes of sulphur dioxide emissions) per day in Alberta.

Busy regulatory agenda for utilities

Regulatory activity continued at a brisk pace for the utilities industry in 2006. The volume and complexity of applications have been challenging, notably the approval of numerous significant rate and transmission-line developments. Also, the EUB has addressed ongoing landowner and other stakeholder issues related to the proposed 500 kiloVolt (kV) transmission project in the Edmonton-Calgary corridor.

The EUB held stakeholder consultation sessions and followed up with updated bulletins and directives related to Process Improvements to Prehearing and Cost Procedures, and Negotiated Settlement Guidelines. The EUB also implemented a streamlined process for the approval of transmission customer interconnection projects in 2006.

On July 1, four major wire owners and ATCO Gas successfully implemented Version 1.3 of the *Tariff Billing Code*. Meanwhile, the EUB has continued to make strides in the audit and compliance of utilities in selected areas, including interaffiliate transactions and codes of conduct.

EUB wins awards

The EUB won the Institute of Public Administration of Canada's (IPAC) Award for Innovative Management, which acknowledges innovative managerial initiatives in Canadian public administration. IPAC recognized the EUB for its role in developing Synergy Alberta.

This past year also saw the EUB selected for the Work Safe Alberta 2005 Best Safety Performers Award, while Bob Heggie, the Executive Manager of the EUB's Utilities Branch, won the Leadership in Education and Development Award, presented by the Canadian Association of Members of Public Utility Tribunals.

■ ■ ■ Upcoming Public Hearings

Application No.	Applicant	Hearing Purpose
1453533	Bearsapaw Petroleum Ltd.	Application for two pipelines - Crossfield Field
Start date: January 9, Chestermere Recreation Centre, 201 West Chestermere Dr. Chestermere, AB		
1478721	Artemis Exploration Inc.	Application for a licence to drill a vertical gas well targeting the Lower Mannville Formation
Start date: January 10, Venue TBD		
1462052	Quicksilver Resources Canada Inc.	Application for a gas pipeline (1462052) and a meter station (1462724)
1462724	Nova Gas Transmission Ltd.	
Start date: January 16, EUB Office, Govier Hall, 640 5 Avenue SW, Calgary, AB		
1458441	Highpine Oil & Gas Limited	Application for licences for 2 critical sour wells
1461435		
Start date: January 24, Lakeview Inn & Suites, 4302 50th Street, Drayton Valley, AB		
1481993	Canadian Natural Resources Limited	Application for a well and pipeline
1482699	(CNRL)	
Start date: January 26, Venue TBD		
1453401	ARR Resources Ltd.	Application for Change of Pool/Zone Designation, Gilby Basal Mannville BBB Pool, Well 00/08-28-040-01W5M (08-28 well)
Start date: January 30, EUB Calgary Office, 640 5 Avenue SW, Calgary, AB		
Proceeding 1482011 EnCana Corporation		Section 39 Review Request by Blaine Johnson on behalf of C.O. Johnson & Sons Ranches, on EnCana Corporation Application Nos. 1255723 and 1256723
Start date: January 30, Heritage Inn, 1239 2nd Street West Brooks, AB		
1456992 1456995	Canadian Natural Resources Limited	Application for 4 multi-well bitumen batteries and associated multi-well pad well licence applications.
1456998 1457043	(CNRL)	
1457059 1457085		
1457096 1460954		
Start date: February 1, Bonnyville Agriplex, 4313 50th Avenue, Bonnyville AB		
1394112	EnCana Oil & Gas Partnership	Applications to shut in gas production and to produce gas
1409180	CNRL Husky	
Start date: February 6, EUB Calgary Office, 640 5 Avenue SW, Calgary, AB		
1448619	Compton Petroleum Corporation	Applications for licences to drill two single vertical wells, Belly River Group - Crossfield
Start date: February 6, Venue TBA		

■ ■ ■ Pending Decisions

Application No.	Applicant	Hearing Purpose
1408771	Imperial Oil Resources Limited (Kearl Mine)	Application for a greenfield oil sands mine and bitumen processing facility - Fort McMurray, AB
1398411	Albian Sands Energy Inc.	Application for an expansion of current oil sands mining and bitumen processing facilities at the Muskeg River Mine
1421444	ATCO Gas North	Disposition of Red Deer Operating Centre - Final Disposition of Proceeds
1321838	TransAlta Utilities Corporation	Recovery of Decommissioning Costs for the Wabamun Plat
1357130	ATCO Gas South	2005/2006 Carbon Storage Plan - Revised Part 1 Module - The 90 days for this decision commenced upon the issuance of Decision 2006-098, Retailer Service & GUA Compliance, Phase 2, Part B, dated October 10, 2006.
1478363	ATCO Gas	Application for 2005-2007 GRA Phase I Second Compliance Filing
1463440	ATCO Pipelines Muskeg River Affiliate	Code of Conduct Exemption
1481366	ATCO Electric and ATCO Gas	Application for relief from Board Directions issued in Decisions 2005-037 and 2005-039
1465142	ATCO Pipelines	Other Pipeline Receipt and Other Pipeline Delivery rates and services
1456797	AltaLink Management Ltd. and TransAlta Utilities Corporation	2007-2008 GTA

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EUB Utilities Branch, 10th floor, 10055-106 Street,
Edmonton, Alberta T5J 2Y2
Fax: (780) 427-6970
Complaints: (780) 427-4903*
E-mail: <utilities.concerns@eub.gov.ab.ca>

Oil and gas: For information or complaints about new or existing oil and gas developments and facilities, we recommend contacting the operating company first. If the company does not respond appropriately, you may contact the nearest EUB Field Centre.

EUB Field Centres	(24-hour service)
Bonnyville	(780) 826-5352*
Drayton Valley	(780) 542-5182*
Grande Prairie	(780) 538-5138*
Fort McMurray	(780) 743-7214*
High Level	(780) 926-5399*
Medicine Hat	(403) 527-3385*
Midnapore	(403) 297-8303*
Red Deer	(403) 340-5454*
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